

ADJUSTMENT BUDGET 2014/2015 FINANCIAL YEARS

REPORT OF THE CHIEF FINANCIAL OFFICER

1. PURPOSE

The purpose of this item is to table on the adjustment budget 2014/2015 financial year for consideration and approval by the Council.

2. LEGAL REQUIREMENT.

In terms of section 28 of the Municipal Finance Management Act 56 of 2003 municipality may revise an approved annual budget through adjustments budgets

An adjustment budget-

- a) Must adjust the revenue and expenditure estimates downwards if there is material under – collection of revenue during the current year;
- b) May appropriate additional revenues that have become available over and above those anticipated in the annual budget, but only to revise or accelerate spending programmes already budgeted for;
- c) May within a prescribed framework, authorize unforeseeable and unavoidable expenditure recommended by the mayor of the municipality;
- d) May authorize the utilization of projected savings in one vote towards spending under another vote;
- e) May authorize the spending of funds that were unspent at the end of the past financial year where the under-spending could not reasonably have been foreseen at the time to include projected roll-overs when the annual budget for the current year was approved by the council;
- f) May correct any errors in the annual budget; and
- g) May provide for any other expenditure within a prescribed framework.

An adjustments budget must be in a prescribed form.

Only the mayor may table an adjustments budget in the municipal council, but an adjustments budget in terms of subsection (2)(b) to (g) may only be tabled within any prescribed limitations as to timing or frequency.

Municipal tax and tariffs may not be increased during a financial year except when required in terms of a financial year except when required in terms of a financial recovery plan.

Sections 22(b), 23(3) apply in respect of an adjustments budget and in such application a reference in those section sections to an annual budget must be read as a reference to an adjustments budget.

It should be noted that in addition to the aforementioned requirements of this Act, the delegated management functions of the Administrative Sphere under the direct Leadership of the Accounting Officer are the crucial responsibilities that would support and guide the political Decision Making process.

3. ADJUSTMENT OVERVIEW

- Section 72 of the MFMA states that the accounting officer must assess the performance of the municipality during the first half of the financial year and based on the assessment the accounting officer make recommendations as to whether an adjustments budget is necessary and revise projections for the revenue and expenditure.
- The adjustment budget has been prepared in terms of Section 28 of the MFMA to ensure that the appropriation of funds is realistic and is assisting the municipality to spend and deliver on the programmes. The aspects that impacted on compiling the adjustment budget were the errors that needed to be corrected in terms of the approved budget, the shifting of funds to between the votes to avoid overspending

4. Capital Budget and Operating budget

- Both operational and capital budget amounts to **R105,862,283 and 21,487,000 respectively.**
- At 31 December 2014, the total revenue collected amounts to **R53mil**, thus **48.81%** of the total revenue has been realised however it should be noted that the reporting is on accrual base and not cash.
- The total expenditure was **R44mil**, thus **38.51%** of the total budget is spent.
- The capital budget had to be adjusted due to the grant from district municipality no being paid over to the municipality instead the district will make direct payments to the supplier. Furthermore an amount off **R5,700,000.00** had to be included in the adjustment budget as it was not included in the original budget.

CAPITAL BUDGET

Source of Funding	Budget	Expenditure	Adjustment Budget
FBDM	5,000,000	-	0
MIG	10,878,000	7,053,500	10,787,000
DWA Rbic	5,000,000	2,426,833	5,000,000
DWA Acip			5,700,000
EPWP	1,500,000	-	0
INEP		543,476	0
EPWP		430,220	0
TOTAL	22,287,000	10,453,757	21,487,000

4.1 Revenue

Grants

- An amount of **R10,074,000.00** was withheld from **National Treasury** therefore the Equitable share had to adjusted to **R22,775,000.00**

Service charges

- The overall service charges seem to do well however, it should be noted that, our reporting is based on accrual and not cash.

Description	Budget Year 2014/15					
	Budget 2014/2015	Proportionate	YTD actual	Adjustment budget 14/15	Variances	% Variances
R thousands						
<u>Revenue By Source</u>						
Property rates	5 897 563	2 948 782	2 741 012	5 597 564.00	-207 770	-7.05
Property rates - penalties & collection charges	–	–	–	–	–	–
Service charges - electricity revenue	15 181 372	7 590 686	8 107 195	17 401 168.00	516 509	6.8
Service charges - water revenue	6 296 065	3 148 033	2 694 369	5 846 492.00	-453 664	-14.41
Service charges - sanitation revenue	4 226 683	2 113 342	1 996 525	4 428 683.00	-146 817	-6.95
Service charges - refuse revenue	3 751 236	1 875 618	1 868 914	3 751 236.00	-6 704	-0.36
Service charges - other	–	–	–	40 000.00	–	–
Rental of facilities and equipment	60 000	30 000	15 950	60 000.00	-14 050	-46.83
Interest earned - external investments	1 003 500	501 750	36 651	323 302.00	-456 099	-92.7
Interest earned - outstanding debtors	6 490 000	3 245 000	1 984 196	6 635 000.00	-1 260 804	-38.85
Dividends received	–	–	–	–	–	–
Fines	1 012 500	506 250	44 502	158 750.00	-461 748	-91.21
Licences and permits	426 500	213 250	177 808	438 500.00	-35 442	-16.62
Agency services	12 500	6 250	–	6 250.00	-6 250	-100
Transfers recognised operational	39 351 000	28 664 500	23 089 193	30 328 692.00	307	-96.32
Other revenue	2 606 630	1 303 315	139 136	1 414 951.00	-1 164 179	-89.32
Gains on disposal of PPE	–	–	–	200 000.00	–	–
Total Revenue (excluding capital transfers and contributions)	86 315 549	52 146 775	42 512 629	76 630 588.00	-9 634 146	

4.2 Expenditure

The Employee Related Costs

- The total employee related cost component adjusted to R35,809,946 from R36,976,651 this is due to vacant post not filled and not implementing the travel allows of managers.

Remuneration of Councillors

- Remuneration of Councillors not adjusted

Bulk Purchases

- The bulk purchases on electricity and water are adjusted as follows: R11,564,713.00 and R2,275,000.00 respectively.

	Budget 2014/2015	Proportionate	YTD actual	Adjustment budget 14/15	Variances	% Variances
Expenditure By Type						
Employee related costs	33 587 392	16 793 697	15 555 641	32 690 686.59	-1 238 056	-15.2
Remuneration of councillors	3 119 260	1 559 630	1 415 255	3 119 259.75	-144 405	-9.26
Debt impairment	18 852 959	9 426 480	9 426 480	18 852 958.75	1	0
Depreciation & asset impairment	11 186 314	5 593 157	5 593 158	11 186 313.60	1	0
Finance charges	100 000	50 000		100 000.00	-50 000	-100
Bulk purchases	16 739 713	8 369 857	2 824 152	13 839 712.50	705	-158.36
Other materials	-	-	-	-	-	-
Contracted services	2 842 000	1 421 000	926 310	2 177 500.00	-494 690	-34.81
Transfers and grants	6 761 000	3 380 500	2 303 665	6 761 000.00	-1 076 835	-309.31
Other expenditure	21 829 509	10 914 755	6 246 601	17 134 848.12	-5 428 104	-1 165.75
Loss on disposal of PPE		-	-	-	-	-
Total Expenditure	115 018 147	57 509 074	44 291 232	105 862 279.31	-13 879 298	-917

RECOMMENDATIONS OF THE MUNICIPAL MANAGER

1. That the adjustment had to be considered to approve shifting of funds between votes to avoid overspending.
2. That the approved Adjusted Budget **BE SUBMITTED** to Provincial and National Treasury
3. That Council **APPROVES** and **adopt** the **Revised Budget** of the Municipality for the financial year **2014/2015** as set out in the following Schedules;
 - 3.1.1 Table B1 - Budget summary as reflected
 - 3.1.2 Table B2 – Budgeted Financial Performance as reflected
 - 3.1.3 Table B3 – Budgeted Financial Performance by Municipal vote
 - 3.1.4 Table B4 – Budgeted Financial Performance (Revenue and Expenditure)
 - 3.1.5 Table B5 – Budgeted Capital Expenditure by Standard Classification
 - 3.1.6 Table B6 – Budgeted financial position
 - 3.1.7 Table B7 – Budgeted cash flow
 - 3.1.8 Table B8 – Cash backed Reserves
 - 3.1.9 Table B9 – Asset management
 - 3.1.10 Table B10 - Basic service delivery Measurements

MAGARENG



MUNICIPALITY

QUALITY CERTIFICATION

I..... (PrintName), Municipal Manager of Magareng local Municipality, hereby certify that the Adjustment budget have been prepared accordance with the Municipal Finance Management Act and the regulations made under the Act.

Signature

Date

I..... (Print Name), Chief Finance Officer of Magareng local Municipality, hereby certify that the Adjustment budget have been prepared accordance with the Municipal Finance Management Act and the regulations made under the Act.

Signature

Date